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Dec. 16, DJIA 1242.17; PTI 1764; A-D Ratio –16.05
Dec. 23, DJIA 1250.51; PTI 1756; A-D Ratio –16.20

THE PICTURE: One of the greatest mistakes, perhaps THE greatest mistake that is made in investing is to doubt the DISCOUNTING ABILITY of the stock market. Thus, subscribers are now calling or writing to tell me that my bullish Barron's article and my present bullish stance are grave mistakes.

"Look at the high interest rates," I am told, "look at the wobbly oil price structure." Others remind me that "the foreign loans to the banks are in technical default" or that "the rate of climb in the economy has started to slide."

My unvarying reply is that the market knows all this—and more. The market knows all this plus ten thousand other items. The market knows more than all the newspapers and magazines plus all their reporters and editors thrown in for good measure. The fact is that all the good news and all the bad news is discounted in the price structure of the averages. And the structure has been confirmed and re-confirmed as bullish.

It may come as a shock to neophyte subscribers, but bull markets do not end on bad news. Nor do they end on climbing interest rates or Presidential edicts. Bull markets do not end with rotten business statistics or Mid-East wars or poorly-timed tax bills. No, bull markets end in exhaustion—when the Averages have discounted the best, the very BEST, that can be seen ahead for the economy.

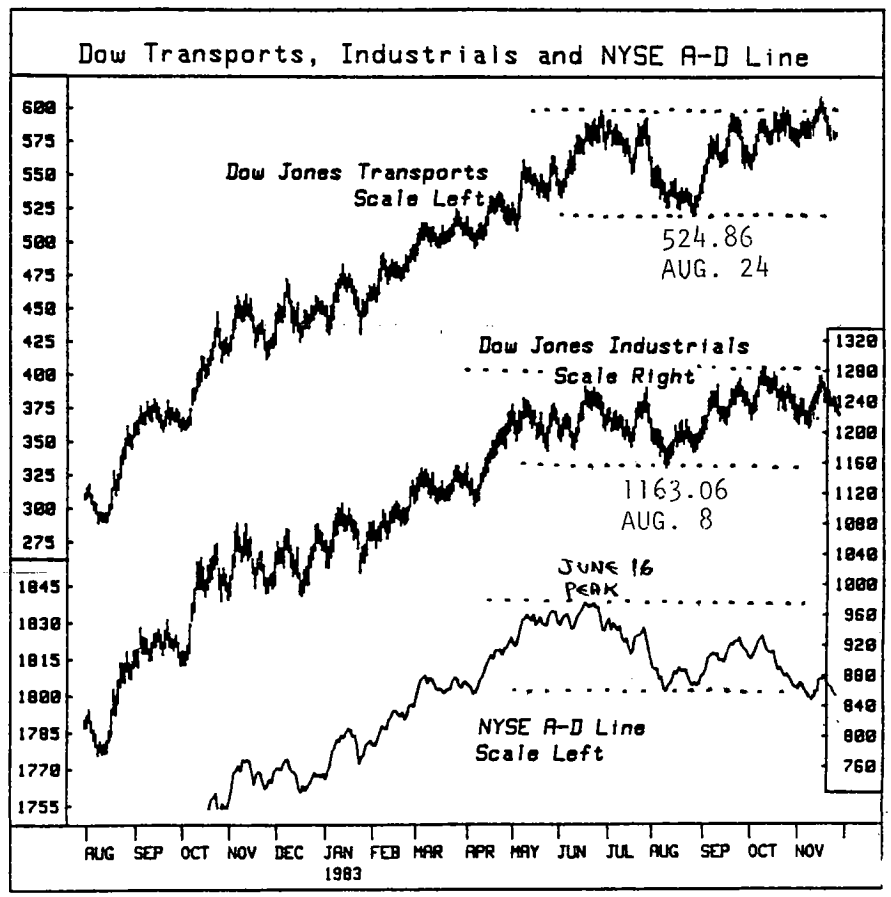
For many years I followed and corresponded with E. George Schaefer, the great Dow Theorist who wrote during the 1940s through 1974. Schaefer was, in my opinion, the greatest expert in history when it came to tracking and identifying the primary trend of the stock market. Schaefer used a number of techniques in gauging the direction of the primary trend. I will list his main considerations as follows:

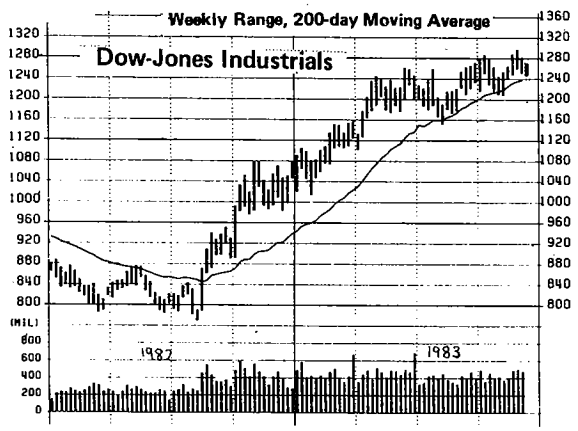
(1) Schaefer, like Dow, gave foremost consideration to whether stock represented values or not. As Schaefer saw it, there was nothing in investing as important as buying stocks when they were "cheap," when dividends were high, when stocks were out of favor, and when the market represented "a great value."

(2) Schaefer attached importance to whether the D-J Industrial Average was above or below its 200-day moving average. (3) Schaefer studied the action of the D-J Industrials, the Transports and the Utilities and their willingness (or refusal) to confirm each other both on the upside or the downside.

(4) Schaefer used Dow's 50% Principle in relation to the action of the D-J Industrial Average. (5) Schaefer placed great emphasis on the short interest ratio. (5) Finally, he attempted to gauge the psychology of the market via newspaper and magazine headlines, plus a reading of the advisory services (i.e., were they long-term bullish or bearish).

Last week I sat down and studied this market in relation to George Schaefer's five main criteria. I thought that subscribers would be interested in my conclusions. First, Schaefer (and Dow) used yield as the primary test of values. Why yields? Earnings can be erratic, price/earnings ratios can also be erratic, and book value can be interpreted a number of ways (according to which accountant you use). The same can be said of cash flow. But dividends tend to be fairly stable. A company only raises its dividends when it is doing well (and believes it can *sustain* the higher dividend level). A company loses face when it cuts its dividends, and such a cut is usually a sign of trouble.

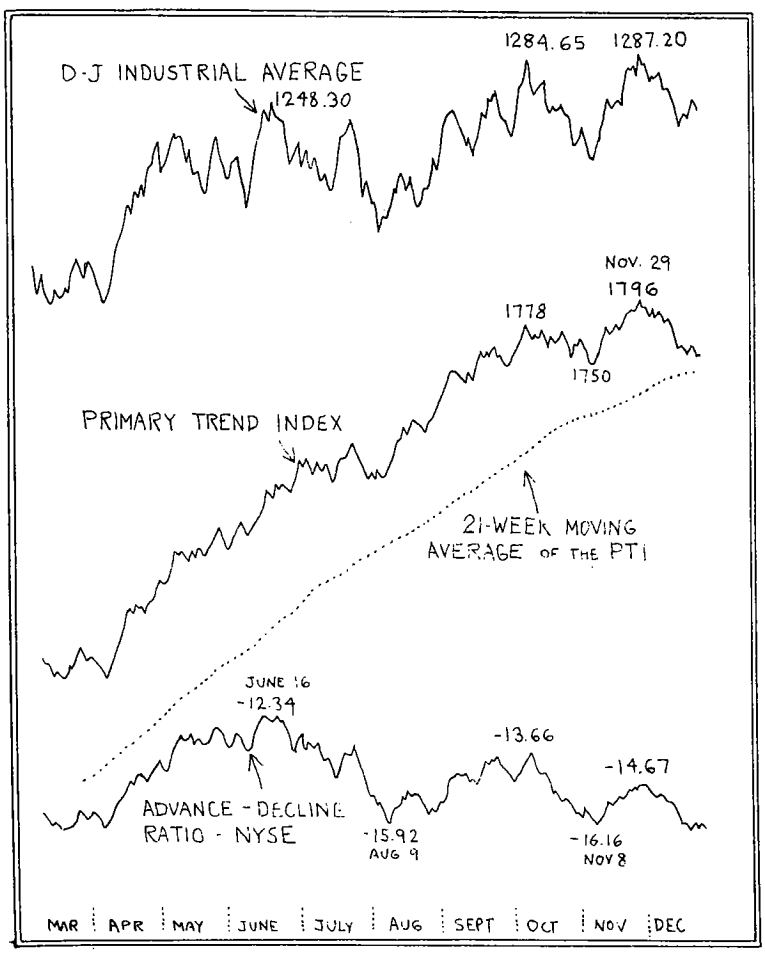




In the end it's the *return to the investor* that counts in investing, and that is why Schaefer (following Dow's original, sound advice) used dividends as the primary gauge of values.

Right now the yield on the D-J Industrial Average is 4.54%. This is admittedly not a bargain zone, but dividends are now climbing, and most bull markets have not topped out until the yield on the Dow was 3%or less. We're not there yet.

This chart shows the Dow and its 200-day moving average for most of 1982 and 1983 to date (chart from Holt Advisory). Note that twice during recent months the Dow has come down and made contact with its 200-day MA. But both times the Dow has pushed higher again. It should be understood that the D-J Industrial stocks are almost all blue chip or investment grade issues. They are the kind of stocks that are bought and held by investment (highly informed) interests. Thus, what the D-J Industrial Average does–tells us a lot about what important investment money is thinking and doing.



Schaefer used to write that there is no more bullish force on the market than steady and persistent investment buying by large, informed interests. Schaefer used the D-J Industiral Average as a barometer of informed interests. So it is important to note (see chart) that Dow buyers are at present paying MORE for the Dow than they have been willing to pay (on average) over the last 200 days. This is the meaning of the Dow in relation to its own 200-day MA. And because the Dow is still above the 200-day MA, the implications are bullish.

Next, it is significant that the D-J Industrial and Transportation Averages closed at record highs during October and November. Thus, under classic Dow Theory the direction of the primary trend is bullish (since the two Averages confirmed each other in recording new bull market highs). Of further bullish interest is the fact that the Averages refused to confirm each other on the downside (recently the Industrials broke below their October 3 low unconfirmed by the Transports).

The 50% Principle can be applied at this time. although I have not talked about this study for many months. Charles Dow (and Schaefer) attached a good deal of importance to what the Dow did following a major and extended advance (such as the Dow rise from August 1982 to date). According to the 50% Principle, one watches the Dow carefully during the corrective action that follows a major advance. If, on the correction, the Dow can retain 50% or more of the ground gained during the preceding major rise, the situation is taken to remain strongly bullish. In that case, the inference is that the Dow will move to or above the old high–in due time. But if the correction succeeds in wiping out 51% or more of the ground gained during the preceding advance, the inference is that the Average will decline to test (or break) the low from which the entire advance began.

Applying the 50% Principle to the 1982-83 market, the Dow started up in August 1982 from a low of 776.92. The Dow rise ended in November 1982 at 1287.20. The entire rise was 510.28 points. Half of that is 255.14. Thus, the halfway level of the whole 1982-83 advance is 1032.06.

From the 1287.20 high of November 29, the Dow has been backing-and-filling but despite weakness in many stocks and despite rising interest rates and adverse foreign and budgetary news, the Dow has failed to penetrate the 1200 level–much less the 1032.06 or halfway level of the 1982-83 advance. Conclusion: under the 50% Principle, the situation remains bullish.

Let's turn to the short interest ratio. Schaefer considered any figure over 1.5 to be in the bull zone for the short interest ratio (SIR). Anything over 1.75 was strongly bullish, while any figure above 2.0 was super-bullish. So what do we have now? In July 1983 the SIR was 1.91, in August it was 1.99, in September it was 2.28, in October it was 2.11, in November it was 2.33, in December it was 2.30. So for the six most recent months the SIR has averaged an incredible 2.13. And for September through November the SIR was over 2.10 for each month. The only cluster to match this in history (re-

viewing the 50-year history of the study) is the five-month cluster of 1958–at which time the market was preparing for a massive advance. The SIR situation is extremely bullish.

Finally, I come to the most difficult item to measure, and that is the psychology of the public. My own feeling is that the public is neutral to slightly skeptical about this market. Very few of the advisory services are talking about any "coming boom" in the stock market although many of them are guardedly optimistic. In view of the recent retreat of the market and the strong technical situation, it is my opinion that the public and the advisories are too cautious.

Adding to all the Schaefer analysis, I have my own Primary Trend Index (PTI). The PTI has reinforced my feelings about this being a "coiled spring" situation within an ongoing primary bull market. The PTI has been holding steadily above its 21-week moving average ever since October 1982. The continuing strength in the PTI is in direct contrast to the situation during 1973-74 (the primary trend was bearish then) at which time the PTI continued to decline regardless of upside pops and even sustained rallies in the major stock averages.

Conclusion: the longer the short interest ratio holds above 2.0, the longer the Dow holds above its halfway level of 1032.06, the longer the market continues to consolidate, the greater will be the advance from the current area. Patience and perspective are what is needed now.

Question: Russell, you have been presenting a very bullish scenario for the stock market. Then in the last Letter you said, "But if the PTI breaks its 21-week moving average and goes into a declining trend, move out of stocks and go into cash." I don't get it. Aren't you presenting us with a paradox?

Answer: I guess I am. On the one hand, the structure of the Averages and the technical situation look bullish. I have given my reasons why, and there are a lot of them. Then we come to the PTI.

The PTI is not only a very trusted indicator of mine, it is a *fail-safe* mechanism, an insurance policy. Anyone can be wrong in the market, but the ultimate crime in this business is not in being wrong–it is *staying wrong.* And that is one position I want to avoid at all costs.

The PTI has been in the bullish mode ever since October 1982, when it crossed above its 21-week MA. In fact, the PTI has consistently been the strongest indicator in my arsenal. On November 29 (see chart) the PTI hit a record high of 1796. Since then the PTI has been sliding, not badly, but it has been sliding. On December 22 the PTI recorded a low of 1756. This was 12 points above the 21-week moving average and the closest it has come to the 21-week MA since October 1982.

I have absolutely no way of knowing whether the PTI is going to break decisively below its 21-week MA or not. I hope it doesn't. And if it does, I hope the break is only a temporary wash-out, preparatory to a new major climb by the PTI and the market.

But as I say, the PTI must be viewed in this kind of situation as a fail-safe mechanism. If the PTI breaks decisively below its 21-week MA I will not ignore the drop, I will not fight the drop. I will advise my subscribers to move to cash or money market funds–as we await developments.

Question: What is your guess as to developments if the PTI gives us a downside reversal here?

Answer: My guess, and this is only a guess, is that the PTI will be in a whip-saw situation. In other words, I do not "feel" that the decline will be a major one. I say that in view of the bullish factors that I presented in the earlier pages of this Letter. But I could be wrong. I've been wrong before, and that's why I will be guided by the PTI–regardless of what I think or feel!

Capital preservation is a critical consideration in this business, which is why I am writing this section. Remember also that if the PTI breaks down and if that breakdown turns out to be a fake-out, we can always switch back into mutual funds and stocks on a later bullish signal by the PTI. That's what is termed "Paying the cost of insurance." Paying the insurance cost in this business can be annoying, but on occasion paying that cost can save you a fortune!

Question: Russell, give us your "big picture" view of the current situation, and make it as simple as possible.

Answer: I think the page 1 chart says it all (chart by Ned Davis). Here we see an updated version of the weekly chart that appeared in Letter 875. As I see it, the D-J Industrial and Transportation Averages have both been in extended sideways trading ranges. The lows of those trading ranges are 524.86 for Transports, 1163.06 for Industrials.

While the two Averages have been moving sideways, many stocks and stock groups have been correcting. But so far, the Averages have NOT broken down. During the same period, bearishness has been increasing, as seen in the very high short interest totals of the last six months. My feeling is that the longer the Averages hold above the August low points and the longer the short interest ratio holds in the current high area, the more bullish the technical situation will become.

INVESTING: In the November issue of *Futures* magazine there is a piece about a commodity trader named Jerome Beazley. Beazley bought a lot of soybean contracts at $5.98 to $6.26 last summer and sold the whole lot near the highs at $9.57. That means that he made about $16,000 to $17,000 per contract. But Beazley stated that he doesn't try to call tops and bottoms. "I learned a long time ago that the large money is not made in picking bottoms and tops. The large money is made hanging on to a trend."

I agree with that statement. Which is why I have been harping over and over about this being "a primary bull market."And it is why I have been suggesting that subscribers ride this market with no-load funds. In a major bull market lasting a few years or longer, it's almost impossible for a diversified mutual fund to lose money. True, one fund may rise 18% while another fund (through luck or superior management) may rise 50%. But both funds will (at least to some extent) participate in the bull market.

In investing we have to fight three things. They are (a) impatience and our own stupidity, (b) taxes, and (c) last but certainly not least, time. Let me explain. If we want to get rich, all we have to do is buy long-term Treasury bonds yielding 11% and reinvest each year and wait.

Let me give you an example. If you start with $1,000 (at 11% interest) and add $1,000 each year plus interest (all at 11%) in ten years you will have $16,700. In fifteen years you will have $34,405. In twenty years you will have $64,202. And in thirty years you will have $199,000!

So that's the way to get rich. But there are two problems in this guaranteed way to get rich. First, taxes. It doesn't look that good if you pay the taxes on the interest. But there is a way to get around the taxes or at least defer them. And that is the IRA s or the Keoghs or the pension plans or the 401K s.

Next you have the problem of patience and stupidity. And here I can't really help you. All I can say is that anyone who doesn't have a tax deferred plan is stupid, and anyone who doesn't have patience simply must learn how to become patient. Let me put it another way, if you're stupid and you lack patience, you'll never get rich the sure way–which is the compounding way.

Then there is one last problem, and that is TIME. If you are under the age of 30, you still have plenty of time to get rich. But if you are, say, 55 or 65 or 75 you don't have enough time to get rich through compounding and waiting. So basically, I am addressing this section to subscribers who are under 40 years of age, although those of you who are in your 50s or 60s can probably use this information or at least pass it on to your children.

"Allright," you retort, so the guaranteed way to get rich is to have a program of steady investing and re-investing–all in tax-deferred programs. If that's true, what are we doing buying stocks for this bull market or that major advance? And my answer is that (consciously or unconsciously) when we buy stocks for a major rise or a particular bull market we are TRYING TO BEAT TIME. In other words, we are trying to make our fortune FASTER than we could simply by compounding on a tax-deferred basis.

And that's OK, as long as we realize what we are doing. But the point of this section is to show subscribers that there is a guaranteed way to get rich–if only we have the intelligence and the self-control and the patience to do it.

Now there is one fly in the ointment, as far as the "compound and get rich" process is concerned. And it is this, "Suppose after years of saving and compounding, the whole economy goes to hell. Suppose the dollar collapses and the stock market unravels and the country goes into a major depression. Just suppose the US has to refinance all its debt and say it pays off $.10 on the dollar. Then where are we?" And my answer to that is that then "We're all in the same boat. We're all broke, and we have to use our brains and start over again."

"Ah," you reply, "but I have gold. I can't go broke, because gold can't go broke." And you are right. And, of course, that's the rationale for holding some gold at all times. Gold is real money and gold can't go broke. And that is why real money (gold) doesn't pay interest. Interest is something you pay someone for taking a risk, and there is not risk (as far as bankruptcy is concerned) in owning gold.

But my basic feeling is that we should operate as if the world and the US are going to survive. There is a point beyond which I simply can't worry, and that point is a total collapse of the entire economic and financial structure of the country. Besides, it is my considered opinion that if things got that bad in the US, the Government would call in or confiscate all the gold or make it illegal to sell gold. Remember this–one of my cardinal rules is that any government will do *whatever it has to do,* to perpetuate itself. If the finances of the US were collapsing, the Government would need gold in order to survive. And if the Government had to have gold, they would call it in or confiscate it (of course, giving the gold holders some kind of paper in return!).

SWITCHING: I don't know if this is the wave of the future, but here is an interesting service that will be offered after January 1 by Charles Schwab (1/800-648-5300 mutual fund debt.). Schwab will offer a switching service which includes around 120 different no-load funds. Among the fund families will be Dreyfus, Federated, Fidelity, Scudder, Price, Vanguard, Value-Line. Schwab will charge $12 plus .8% of principal for any trade under $3,000. For a $3,000 to $7,000 trade they will charge $24 plus .4% of principle. For more than $7,000 they will charge $38 plus .2% of principle. For instance, for a $50,000 switch Schwab will charge $38 plus $100 or $138. Admittedly, that's not cheap.

Schwab tells me that you can margin your account to 50%, paying the normal interest on your margin account (I don't advocate margins). I asked Schwab this: "Certain funds are very lax on switching, and I know that some fund families will take up to 7 days to switch. What will you do about that?" Schwab told me that they will give immediate switch credit. "How can you do that?" I asked. Schwab told me that they will hold mutual fund shares in Schwab name, so that actually Schwab will be doing in-house switching upon receipt of your phone call (but you better double-check on this).

Thus, I see the main advantage of this service being quick switching and just one number to call for ALL switching. Also, once you are signed with Schwab you will NOT have to fill out an application for each fund. In other words, you can switch from Fidelity to Vanguard with just a phone call–without a new complicated application to fill out. I think Schwab has an interesting service for those of you who don't make too many switches. My own feeling is that switches from service to service or service to money market funds should not occur more than a few times per year–if that.

DEFENSE: The great debate goes on. Should the US enter the "Star Wars" era with super-laser weapons? Or are the implications too terrifying and the expenses too horrendous? In my opinion, we have to go the Star Wars route. Why? Because the Russians are on that route now, and it's too dangerous to put our head into the sand. The following excerpts (from a December 18 article in the San Diego Union) provide some idea of the expense and difficulty of a Star Wars endeavor. But I believe Reagan is going to push it.

> **The concept that the President is talking about goes far beyond that to concepts of "directed energy" weaponry – concentrated streams of light so intense that they can melt metal, or neutral atomic particle beams of equal effectiveness. Lasers (an acronym for Light Amplification by Stimulated Emissions of Radiation) have been used experimentally to track and destroy small missiles, but a device powerful and precise enough to be use in space**

is a long way off. "I would compare it to going right from the kite stage to the 747," said Professor Jack Ruina of the Massachusetts Institute of Technology. Gen. Bernard Randolph, director of the Air Force space systems, compared the task to "pointing a beam from the Washington Monument to a baseball on top of the Empire State Building and holding it there while both of you are moving."

As difficult as it is, the task of perfecting lasers for space defense is only a small part of the problem. To be effective, the rest of the laser system must include perfected mechanisms to pick up an enemy missile when it is fired, track it, target it and destroy it. Richard D. DeLauer, undersecretary of defense for research and development, said the entire package will require eight major projects, each as large as the U.S. program to put a man on the moon.

Robert S. Cooper, director of the Air Force's Defense Advanced Research Projects, testified last spring that studies reliable enough to project cost estimates of a space laser program would cost about $900 million. The Air Force's rough estimate is that the total program cost would be $500 billion. Government-sponsored study groups peg it as high as $1.2 trillion.

Two major studies have been conducted by the government since the President's speech. A scientific panel led by James C. Fletcher, former NASA director, pored over data for five months and produced an eight volume report for the National Security Council. It concluded that the technology exists to defend the United States against ballistic missiles. A full scale engineering and development review could probably take from the early 1990s to about the year 2000. The United States could not begin to think about actual deployment until 2000 or thereafter and a multiple layered ABM defense would be necessary. It would include a system to destroy enemy missiles in their boost stage, another for the immediate post-boost period and, finally, mid-course and "point," or last-ditch," defenses near U.S. missile sites to destroy whatever enemy missiles managed to get through the outer ABM shield.

Candy, Airplanes: Do you know what the two largest privately held companies in the US are? Number one: Hughes Aircraft, number two, Mars (the candy maker).

* *

One of the most over-crowded professions in the nation is physicians. Currently there are 200 docs per 10,000 population, but by 1990 there will be 250 per 10,000. Thus, experts figure there will be a "doc glut" of about 35,000 to 85,000 by 1990.

As for dentists, the Dec. 20 *New York Times* features an article in which it is stated that tooth decay will be virtually eliminated among children and young adults by 1990. So what will all the dentists do then? Probably they will concentrate on straightening teeth or whitening them. And there's alway the stock market . . . . .

* *

Should you leave your children money? And if so, how much? And if you do, are you doing them a favor—or a disservice? Those questions I've long pondered, and I'm (at this point) not at all sure that it is a good idea to leave kids something they have not earned. This interview in the Dec. 19 *New York Times* made me reconsider the whole question. The interview is with Ray Charles Leonard, better known as Sugar Ray Leonard, a champion who quit the fight ring because of a detached retina. But last week Sugar decided to return. The description of this great boxer's early life is worth reading and thinking about.

He says he has earned $37 million in the ring, and endorsements and other business opportunities have brought him another "couple million." He says he has kept most of that, which, after taxes and miscellaneous expenses might have left him with perhaps $10 million to $15 million.

"Kinda neat, isn't it?" he said, with boyish charm.

"Especially when I used to go hungry as a little boy."

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He was born in North Carolina but came to Washington when he was 3 years old. He was one of seven children.

"I lived on L Street and 4th Street in northwest Washington," he said, "and I remember me and a few friends going to the Washington Monument and before I was halfway there I'd be looking in trash cans for a half a hamburger or something left in a cup to drink.

"My father worked in a supermarket, stocking the shelves and doing odd jobs there, and he'd bring home about $100 a week, which didn't go far with a big family and kids in school and rent and food and clothes to buy. We didn't have too much. I remember eating mayonnaise sandwiches at home. They weren't too good, but they filled up my stomach. And I remember not going to school on some days because I didn't have clothes to wear, and what I had were so raggedy it was embarrassing. Other kids weren't quite as bad off. It made me feel inferior. Feel left out.

"A lot of people think I come from a middle-class background. I don't. Hell no, I started from the bottom. They tell me, 'Anyone who speaks as well as you had to come from a good neighborhood.' "

Leonard is a high school graduate, but beyond that, it was his drive for self-improvement that was critical in developing his language skills.

"I used to practice reading from a magazine into a mirror, so I could learn good grammar, and enunciation, and get out of the slang of the streets — from the dis and dats and Wha's happenin', pal," said Leonard.

"My wife used to see my practicing like that and she thought I was crazy. But I knew if I was going to be more than just a fighter, I'd have to learn the language."

And it was boxing, he said, that gave him a sense of enormous satisfaction, of making him feel like a "supreme being."

"We had a three-bedroom apartment for nine people," he said. "I slept on the couch. With one of my brothers. A regular couch, not a fold-out."

What kind of bed does he sleep in now?

"A king-size," he said, drawing the word out.

"I think of the boy in Washington who was reaching into a trash can to satisfy his stomach," said Leonard, "and I think of the man who is going back in the ring to satisfy his heart. And I think, 'It's the same guy.' "

NOTES & QUOTES: I have a lot of respect for Gary Shilling as an economist. I therefore read this piece (from Business Week, Dec. 19) with interest. I thought the piece would interest subscribers.

A FORECASTER GOES OUT ON A LIMB AGAIN

Just a decade ago, economic consultant A. Gary Shilling confounded his colleagues by correctly predicting a severe recession in 1974. Now he is going out on an equally fragile forecasting limb by predicting a period of economic resurgence in the years ahead.

Specifically, Shilling argues that government policies and voter sentiment are now firmly anti-inflationary and that high real interest rates, a strong dollar, and deregulation are reinvigorating business competitiveness. He thinks profits will climb by 30% a year over the next five years and business will accumulate net savings of more than $200 billion a year in 1984 and 1985, helping to finance the federal deficit. "Rather than booms and busts," he says, "I see an environment characterized by low inflation, moderate growth, and mild recessions."

According to the Census Bureau, the three richest Congressional districts are Maryland's 8th, Michigan's 18th and Illinois's 10th. It figures that a suburb of Washington DC would have the most money of any spot in the nation (I believe Washington also has the lowest unemployment of any city in the nation).

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While we're on statistics, *Dun's Business Monthly* (Dec.) states that the following are the five best managed companies of 1983: (1) American Express, (2) Baxter Travenol, (3) Coca-Cola, (4) James River, (5) R.H. Macy.

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The Japanese are now going after the drug business, and I mean pharmaceuticals. Whereas 10 years ago the Japanese produced almost no new drugs, today one out of every five new drugs comes from Japanese research. Said senior trust officer Ed Pawling of Chemical Bank, "They are now productive enough to be ranked world class."

LATE NOTES: The short interest ratio on the NYSE was 2.30 for December. This is the fourth month in a row that the SIR was over 2.10. Never before in stock market history has this ratio been over 2.10 for four months running. I have to consider this a bullish long term situation.

I have written a piece on this extraordinary short interest ratio situation for *Barron's*, and the piece will be out in the (current) December 26 issue. I recommend the piece to all subscribers since I feel that the extraordinary short interest ratio is one of the keys to this market. In all market history, there has never been a serious decline following even a single month when the SIR was above 2.00. And as I said, we have now seen four consecutive months with the SIR above 2.10.

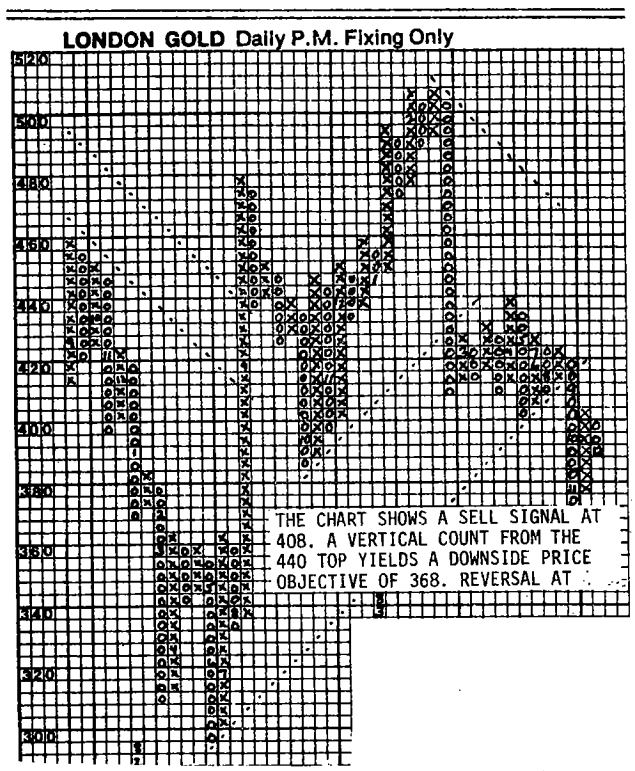
The PTI has been hanging just above its November 7 low of 1750 and also above its 21-week moving average level of 1744. This is the nearest approach (see page 2 chart) the PTI has made to its 21-week MA since the advance began. Note also that most of the damage to the A-D ratio came on the June to August decline, and although weakness has persisted the current level of the A-D ratio is only fractionally below the August low. Now this is interesting: as of the December 23 (Friday) close the A-D ratio had been down 16 out of 20 days or 80% of the time. That is what I term "extraordinary bearishness" and this kind of bearishness is usually followed by rallying action.

Bob Gross of the *Professional Investor* developed an excellent index which he calls the Trinity Index. It is the NYSE members and specialists short ratios divided by the public short ratio. The resultant figures provide a ratio of what the public is doing (in the way of shorting) compared to what the astute professionals are doing. The latest figures on this ratio is highly bullish with the public shorting rather heavily while the pros are cutting way back on their shorts.The Trinity Index is now at its lowest level since August 1982, and I would guess that the pros will again be right and the public will be wrong.

PTI figure for the week ending December 23 is 1756, still on the bullish side of the 21-week MA and still above the November 8th low of 1750 (see page 2 chart).

GOLD: At the risk of being a bore, I will repeat that I believe gold is in a continuing bear market. As seen on the chart, the break below 400 for gold took the metal down to the 376 area. From there we had a rally back to the 400 area, and then a fresh break down to the 390s. At this point, the first sign of hope for gold would be a spot price of 408. At 428 gold would look increasingly interesting.

From the sentiment standpoint, I will point out that the background is not yet right for the birth of a bull market in gold. What would be a proper background? For one thing, I'd like to see Barron's, the WSJ and the local newspaper DEVOID of advertisements for gold, silver and other precious metals. I'd like to see a real dearth of interest in gold on the part of investors. I'd like to see people smirk when the subject of "hard money" is brought up at cocktail parties. In other words, I'd like to see it "all quiet on the gold front." That is the kind of background that is conducive to a new primary bull market in gold. (Chart courtesy of Chartcraft, Larchmont NY).



I was lazy and didn't send any Christmas or New Year cards to anyone this year. But I did receive bundles of cards from friends. So I thank all of you including Schultz, Zweig, Weiss, the Gimbels, Packs, Klotz,Penna, Strebblers, Grassa's, Maurers, my mom, Bedfords, Donlevy's, Phlomans, Hollands, Drcars, Marlows, Russos, and a lot more kind people. The very best-- to all of you who put up with me during 1983.

Season's Greetings

NEXT MAILING: Jan. 11